ANNICA HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 198304025N)

RESPONSES TO SGX-ST'S QUERIES IN RELATION TO THE COMPANY'S RECEIPT OF QUALIFIED OPINION FOR FY2020

---

1. INTRODUCTION

The board of directors (the "**Board**") of Annica Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 14 April 2021 (the "**14 April Announcement**") in relation to the Qualified Opinion by the Independent Auditor on the Group's audited financial statements and Company's statement of financial position and statement of changes in equity for the financial year ended 31 December 2020 ("**FY2020**").

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning ascribed to them in the 14 April Announcement.

The Board wishes to inform shareholders that the Company has received queries from the SGX-ST on 16 April 2021 and is providing its responses to these queries in this announcement.

2. THE QUERIES

2.1. Consideration due from Ms Chong Shin Mun (the "Purchaser") for disposal of a former subsidiary ("GPE") (Note 17) - Group and Company

2.1.1. SGX-ST's Query 1:

During the financial year, $933,000 (2019: $Nil) of allowance of impairment loss was recognised for the estimated amount with uncertainty over its recoverability, after considering the cash flows that are expected to be recovered through the potential sale of the remaining Controlled Shares and Further Controlled Shares of 140,000,000 shares valued at $140,000.

*We refer to the Company's announcement on 22 April 2020 on the Company's responses to SGX RegCo's queries which stated that the Company will **commence legal proceedings** if the Purchaser **breaches any term of the payment plan for the Third and Fourth Tranche Consideration**, at which time, the Company will **enforce on the security** given by way of the share pledges, the **personal guarantee** as well as all the Controlled Shares.*

We note that the Company has updated that the Board has also weighed the legal costs, time and potential recoverability of the Demanded Amounts against any potential detriment to the Company for staying the legal action, and is of the view that there is no significant detriment to the Company in staying the legal action for a reasonable period, and any legal action may actually adversely impact any potential sale of the Purchaser's assets and the Purchaser's ability to satisfy the Demanded Amounts.

The Company's disposal of equity interest in GPE for S$2m took place in 2018. It has been almost 3 years since and more than S$1.07m (54% of S$2m) remained uncollected. In FY2020, the Company has had to provide for an allowance of impairment loss of S$933k.

Please provide the AC's opinion on whether it is in shareholders' interest to delay commencement of legal proceedings, taking into account the opportunity cost of earlier recovery of the receivables which could then have been reinvested by the Company.

Company's Response:

While the disposal of the equity interest in GPE took place in 2018, the sale consideration was to be satisfied in four tranches, being S$200,000 by 31 July 2018, S$200,000 on 29 October 2018, S$600,000 on or before 31 December 2018, and the remaining S$1,000,000 on or before 29 October 2019. To date, the first three tranches have been paid, with only the Fourth Tranche Consideration which was due on 29 October 2019 remaining partially uncollected.

Although the Company has delayed commencement of legal proceedings, legal proceedings do not always, however, translate into collection or full recoverability of the outstanding amount owing. By way of illustration, even if the Company has a judgement against the defendant, and enforces the judgement by seizing the debtor's assets, it does not necessarily follow that the Company would be able to sell the said assets, identify suitable buyer(s) and / or recover the outstanding amount owing.

The AC and the Company are of the view that by procuring security in the form of controlled shares, security pledges and personal guarantees from the Purchaser and her guarantor, and imposing interest on the uncollected amount, the Company's legal position is being fortified and these measures provide the Company an alternative means of enforcement and gradual recoverability of the outstanding amounts owed by the Purchaser, in addition to, or aside from, formal legal proceedings.

The Purchaser has, in addition to the abovementioned security, assigned the proceeds (if any) of the sale of the Purchaser's assets to the Company as further and additional security. This, as disclosed in the Company's announcement on 23 June 2020, comprises all of Seri Beskaya Sdn. Bhd.'s ("**SBSB**") rights, interest, benefit, advantages and remedies to fifty percent (50%) of rights, title, interest, benefit, advantages and remedies which SBSB may have, in, under or arising out of the sale of all of the production lines owned by SBSB currently housed in a factory lot located on Lot No. PT16944, Mukim of Hulu Bernam Timur, District of Batang Padang in the State of Perak (including all the sale proceeds thereof and other monies payable or to become payable to SBSB under the sale). The AC, having deliberated the options the Company has, was and remains of the view that legal action might adversely impact any potential sale of the Purchaser's assets and the Purchaser's ability to satisfy the Demanded Amounts. What the Company has tried to achieve is to preserve its rights in legal proceedings as well as obtain security for the Demanded Amounts.

The Company is nevertheless cognizant that the monetisation of these securities, whether by the terms of the securitization provided or by legal proceedings, may take time and the amount that may eventually be recovered is uncertain as there may not be a ready market for the securities provided to the Company.

Taking the above into account holistically, the AC is of the view that the on-going engagement with the Purchaser is in the best interests of the Company and its shareholders and should be continued at this juncture, while the AC continues to monitor and review the situation for any changes to the detriment of the Company.

2.1.2. SGX-ST's Query 2:

It was stated in the qualified audit opinion for FY2020 that the auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves that no allowance for impairment loss is required with respect to the consideration due from disposal of GPE ***as at 31 December 2019****.*

Consequently, the auditors were unable to satisfy themselves as to whether the allowance of $933,000 recognised in the current financial year should be recognised in the current financial year or previous financial year ended 31 December 2019. The auditors' opinion on the current financial year's financial statements is modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures in respect of the consideration due from disposal of GPE.

If the allowance of $933,000 is recognised in the previous financial year, what will be the impact on the FY2019 and FY2020 P/L and balance sheet?

Company's Response:

Assuming that the allowance of $933,000 was recognized in the previous financial year (i.e. FY2019), the impact on the FY2019 and FY2020 financial statements are highlighted in bold in the table below:

	Audited	Audited	On the assumption that the allowance was made in FY2019	
	FY2019	FY2020	FY2019	FY2020
	$'000	$'000	$'000	$'000
Revenue	9,081	10,906	9,081	10,906
Cost of sales	(5,542)	(7,408)	(5,542)	(7,408)
Gross profit	3,539	3,498	3,539	3,498
Other income	562	436	562	436
Interest income	205	225	205	225
Selling and distribution expenses	(291)	(121)	(291)	(121)
Administrative and general expenses	(3,973)	(4,056)	(3,973)	(4,056)
Other expenses	(312)	(82)	(312)	(82)
Impairment losses on trade and other receivables	(8)	(933)	**(941)**	**-**
Finance costs	(34)	(53)	(34)	(53)
Loss before tax	(312)	(1,086)	**(1,245)**	**(153)**
Tax expense	(55)	(113)	(55)	(113)
Loss for the financial year	(367)	(1,199)	**(1,300)**	**(266)**
Non-current assets	3,085	1,401	3,085	1,401
Current assets	6,434	8,944	**5,501**	8,944
Non-current liabilities	403	1,681	403	1,681
Current liabilities	4,733	5,446	4,733	5,446
Equity	4,383	3,218	**3,450**	3,218

2.2. Loan to a former subsidiary (GPE) and amount due from a former subsidiary (GPE) (Note 17) - Group and Company

2.2.1. SGX-ST's Query 3:

As at 31 December 2020, loan to a former subsidiary (GPE) and amount due from a former subsidiary (GPE) amounted to $2,692,000 (2019: $2,666,000) and $300,000 (2019: $300,000) respectively. During the financial year, GPE defaulted on 3 instalments payments totaling $90,000 based on its loan repayment schedule.

How much has been repaid during FY2020? Please provide the Board's assessment on recoverability of the amounts due from GPE.

Company's Response:

In total, an aggregate sum of S$2,692,000 is owed by GPE to the Company. This arose from intercompany loans made by the Company to GPE, which was a subsidiary of the Company at the time the loans were extended (collectively, the "**GPE Loan**").

During FY2020, although GPE had defaulted on the 3 instalments of S$30,000 each, an amount of $130,000 was received by the Company.

When GPE was first disposed of to Chong Shin Mun, the business of GPE was healthy. GPE was doing fairly well as it was supplying goods and services mainly to real estate developers in Malaysia. There was every expectation that the loan would be repaid. The default by GPE was out of an unexpected change in business conditions brought about by the new political landscape of Malaysia in May 2018. GPE's major customer had restrictions imposed on it with the new political landscape then, and consequently, the down-stream business that GPE had enjoyed was reduced as a result.

The adverse impact suffered by GPE was not business-related but a consequence of the prevailing Malaysian political climate. The Company believes that with time and with the recent political developments, GPE would regain its footing and be able to participate in major projects again.

For this reason, the Board is of the view that a more calibrated approach in the same vein taken by the Company with respect to Chong Shin Mun is the more appropriate approach in recovering the GPE Loan. Therefore, the Board has assessed that the GPE Loan can be recovered with time and by using a more pro-active approach.

3. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that all or any of the abovementioned projects will be completed. The Company will make the necessary announcements when there are further developments on the above.

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Sandra Liz Hon Ai Ling
Executive Director and Chief Executive Officer

20 April 2021

---

*This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Mr Bernard Lui.
Tel: 6389 3000 Email: bernard.lui@morganlewis.com